

Message Text

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ACTION EB-08

INFO OCT-01 ISO-00 STRE-00 CIAE-00 DODE-00 NSAE-00
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PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00
SP-02 SOE-02 OMB-01 DOE-15 OIC-02 DOEE-00 XMB-02
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O R 311438Z JUL 78
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 5482
INFO ALL OECD CAPITALS
AMEMBASSY BRUSSELS
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E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: STEEL RESOLUTION
FOLLOWING IS TEXT OF STEEL RESOLUTION ISSUED BY
SECRETARIAT JULY 28 REFLECTING RESULTS OF
DISCUSSIONS IN AD HOC STEEL GROUP JULY 26-27.

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BEGIN TEXT

DRAFT RESOLUTION ON STEEL

PROBLEMS

1. THE WORLD'S STEEL INDUSTRY IS EXPERIENCING

SERIOUS DIFFICULTIES OF BOTH A CYCLICAL AND STRUCTURAL NATURE. THESE DIFFICULTIES ARE WIDESPREAD AND ARE CHARACTERIZED BY:

- PERSISTENT EXCESS CAPACITY;
- AN EXCEPTIONALLY LOW LEVEL OF DEMAND
- MARKED CHANGES IN TRADITIONAL TRADE

PATTERNS;

- MAJOR DISLOCATIONS OF LABOUR, FREQUENTLY IN AREAS ALREADY EXPERIENCING HIGH UNEMPLOYMENT;
- DEPRESSED FINANCIAL PERFORMANCE AMONG PRODUCERS, WHICH HOLDS DOWN INVESTMENTS NEEDED FOR MODERNISATION AND RATIONALISATION OF PLANTS;
- INCREASING GOVERNMENTAL INTERVENTION IN STEEL SUPPLY AND DEMAND, ESPECIALLY WITH FOREIGN TRADE.

2. IN VIRTUALLY ALL MAJOR STEEL-PRODUCING NATIONS, STEEL OCCUPIES A CENTRAL PLACE IN THE NATIONAL ECONOMY. IN A NUMBER OF MAJOR AREAS, THE MAGNITUDE OF STRUCTURAL PROBLEMS CONFRONTING THE STEEL SECTOR AND RESULTANT SOCIAL AND ECONOMIC IMPLICATIONS OF THE NECESSARY STRUCTURAL ADJUSTMENTS ARE SUBSTANTIAL. LIMITED OFFICIAL USE

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3. THE INTERRELATIONSHIP OF DEVELOPMENTS IN THE STEEL SECTORS FROM COUNTRY TO COUNTRY AND THE POTENTIAL THAT UNILATERAL ACTIONS AND POLICIES CAN AGGRAVATE THE PROBLEMS OF OTHERS, HAVE BECOME CLEAR. THE CONVERGENCE OF CYCLICAL PROBLEMS AMONG MANY NATIONS SERVES TO INTENSIFY THE PROBLEMS FACED BY EACH. THERE IS GENERAL RECOGNITION THAT THERE MAY WELL BE RECURRING CYCLICAL DIFFICULTIES.

OBJECTIVES

4. IN VIEW OF THESE DIFFICULTIES, GOVERNMENTS NEED TO WORK CLOSELY TOGETHER IN ORDER TO:

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PA-01 CTME-00 AID-05 SS-15 STR-07 ITC-01 TRSE-00
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- ENSURE THAT TRADE IN STEEL WILL REMAIN AS UNRESTRICTED AND FREE OF DISTORTION AS POSSIBLE.
RESTRICTIVE ACTIONS SHOULD BE AVOIDED AND, WHERE NECESSARY, STRICTLY LIMITED IN SCOPE AND TIME, AND IN CONFORMITY WITH GATT RULES OPEN BRACKETS (1) CLOSE BRACKETS;

BEGIN FOOTNOTE

OPEN BRACKETS (1) IT IS NOTED THAT REFERENCES TO GATT RULES AND PROVISIONS IN THIS TEXT DO NOT ALTER THE GATT RIGHTS AND OBLIGATIONS OF INDIVIDUAL MEMBER COUNTRIES. CLOSE BRACKETS

END FOOTNOTE
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- ENCOURAGE REDUCTION OF BARRIERS TO TRADE;
- ENABLE GOVERNMENTS TO ACT PROMPTLY TO COPE WITH CRISIS SITUATIONS IN CLOSE CONSULTATION WITH INTERESTED TRADING PARTNERS AND IN CONFORMITY WITH

AGREED PRINCIPLES;

- FACILITATE NEEDED STRUCTURAL ADAPTATIONS THAT WILL DIMINISH PRESSURES FOR TRADE ACTIONS AND PROMOTE RATIONAL ALLOCATION OF PRODUCTIVE RESOURCES WITH THE AIM OF ACHIEVING FULLY COMPETITIVE ENTERPRISES;
- ENSURE THAT MEASURES AFFECTING THE STEEL INDUSTRY ARE CONSISTENT TO THE EXTENT POSSIBLE WITH GENERAL ECONOMIC POLICIES AND TAKE INTO ACCOUNT IMPLICATIONS FOR RELATED INDUSTRIES, INCLUDING STEEL-CONSUMING INDUSTRIES;
- AVOID ENCOURAGING ECONOMICALLY UNJUSTIFIED INVESTMENTS WHILE RECOGNIZING LEGITIMATE DEVELOPMENT NEEDS;
- FACILITATE MULTILATERAL CO-OPERATION CONSISTENT WITH THE NEED TO MAINTAIN COMPETITION, TO ANTICIPATE AND, TO THE EXTENT POSSIBLE, PREVENT PROBLEMS.

5. TO ACCOMPLISH THESE OBJECTIVES, IT IS HEREBY RESOLVED THAT A STEEL COMMITTEE BE ESTABLISHED.

COMMITTEE FUNCTIONS

6. THE STEEL COMMITTEE WILL MEET REGULARLY AND IN SPECIAL SESSIONS AS REQUIRED TO:

(1) CONTINUOUSLY FOLLOW NATIONAL, REGIONAL AND WORLD SUPPLY AND DEMAND CONDITIONS IN STEEL AND CLOSELY RELATED INDUSTRIES, INCLUDING STEEL-CONSUMING INDUSTRIES, FOR LIMITED OFFICIAL USE

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TRIES, WITH A VIEW TO IDENTIFYING POTENTIAL PROBLEMS AND IMPLICATIONS AND MAKING ASSESSMENTS AND FORECASTS AVAILABLE TO ALL INTERESTED PARTIES;

(2) CONTINUOUSLY FOLLOW THE EVOLUTION OF NATIONAL REGIONAL AND WORLD STEEL INDUSTRIES WITH REGARD TO EMPLOYMENT, PROFITS, INVESTMENTS, CAPACITY, INPUT COSTS, PRODUCTIVITY, AND OTHER ASPECTS OF VIABILITY AND COMPETITIVENESS;

(3) DEVELOP COMMON PERSPECTIVES REGARDING EMERGING PROBLEMS OR CONCERNS IN THE STEEL SECTOR AND ESTABLISH, WHERE APPROPRIATE, MULTILATERAL OBJECTIVES OR GUIDELINES FOR GOVERNMENT POLICIES;

(4) REGULARLY REVIEW AND ASSESS GOVERNMENT POLICIES AND ACTIONS IN THE STEEL SECTOR IN THE LIGHT OF THE CURRENT SITUATION, AGREED MULTILATERAL OBJECTIVES AND GUIDELINES AND THE GATT AND OTHER RELEVANT INTERNATIONAL AGREEMENTS;

(5) IDENTIFY DEFICIENCIES AND GAPS IN EXISTING
DATA NEEDED BY THE COMMITTEE WITH A VIEW TO IMPROVING

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NATIONAL INPUTS TO THE COMMITTEE AND CROSS-NATIONAL
COMPARABILITY OF DATA.

PARTICIPATION

7. (NOTE: THE CONSENSUS OF THE MEETING THAT A LIM-
ITED NUMBER OF NON-MEMBER COUNTRIES WILL BE INVITED
TO PARTICIPATE WILL BE FORMULATED LATER IN THE DRAFT
COUNCIL DECISION.)

INITIAL COMMITMENTS

8. THE MEMBERS OF THE STEEL COMMITTEE AGREE TO THE
FOLLOWING MULTILATERAL GUIDELINES:

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A. WITH RESPECT TO STEEL CRISIS TRADE ACTIONS:

1. NO ACTIONS SHOULD BE INCONSISTENT WITH GATT PROVISIONS.

2. WHEN ACTIONS ARE NECESSARY THEY SHOULD BE AS LIMITED AND TEMPORARY AS PRACTICABLE AND APPROPRIATE TO THE CAUSES WHICH LED TO THEIR INTRODUCTION.

3. ALL ACTIONS OPEN BRACKET (1) CLOSE BRACKET OPEN BRACKET (INCLUDING, ON REQUEST, VOLUNTARY RESTRAINT AGREEMENTS) CLOSE BRACKETS TAKEN BY MEMBERS SHOULD BE REPORTED PROMPTLY TO THE STEEL COMMITTEE AND, IN CONFORMITY WITH GATT RULES, TO THE GATT. THE STATUS AND RATIONALE FOR MAINTAINING SUCH ACTIONS SHOULD BE REPORTED PERIODICALLY TO THE STEEL COMMITTEE. THE MEMBERS AGREE TO CONSULT ON ANY TRADE ACTION OF INTEREST TO ANOTHER MEMBER.

4. WHEN TAKING ACTION UNDER DOMESTIC LAW AND PROCEDURES TO DEAL WITH SERIOUS DIFFICULTIES OF ITS INDUSTRY, A MEMBER SHALL TAKE INTO ACCOUNT THE CONCERNS OF TRADING PARTNERS THAT OPEN BRACKETS TRADITIONAL CLOSE BRACKETS TRADE FLOWS ESTABLISHED UNDER NORMAL CONDITIONS OF COMPETITION NOT BE SEVERELY DISRUPTED.

5. PRICE GUIDELINES SHOULD BE IN CONFORMITY WITH THE INTERNATIONAL ANTI-DUMPING CODE AND ARE APPROPRIATE ONLY DURING CRISIS PERIODS OF SUBSTANTIAL EXCESS CAPACITY IN EXPORTING COUNTRIES, WIDESPREAD PRICE CUTTING BY MANY EXPORTERS OVER MANY PRODUCTS IN THE IMPORTING MARKET OR ON WORLD MARKETS, AND DEPRES-

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SED DOMESTIC INDUSTRY CONDITIONS SUCH AS LOW CAPACITY UTILISATION, PROFITS, SALES, INVESTMENTS AND EMPLOYMENT. SUCH ACTIONS SHOULD BE EXPEDITIOUSLY REMOVED OR LIBERALISED AS CONDITIONS IMPROVE.

6. SUCH PRICE GUIDELINES SHOULD EITHER NOT EXCEED THE LOWEST NORMAL PRICES IN THE SUPPLYING COUNTRY OR COUNTRIES WHERE NORMAL CONDITIONS OF COMPETITION ARE PREVAILING, OR NOT EXCEED PRICES COMPRISING OPEN BRACKETS THE SUMS OF THE LOWEST FULL

COSTS OF PRODUCTION (INCLUDING OVERHEADS) AND PROFIT
IN THE MOST EFFICIENT PRODUCING COUNTRY CLOSE BRACKETS;
DELIVERY COSTS TO THE IMPORTING MARKET AND IMPORT
DUTIES MAY BE INCLUDED AS REQUIRED.

BEGIN FOOTNOTE TO A3 ABOVE

OPEN BRACKETS (1) IT IS UNDERSTOOD THAT THESE INCLUDE
ALL SAFEGUARD MEASURES SUBJECT TO A REPORTING
REQUIREMENT IN THE SAFEGUARDS CODE NEGOTIATED IN THE
M.T.N. CLOSE BRACKETS

END FOOTNOTE TO A3 ABOVE

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OPEN BRACKETS B. MEMBER GOVERNMENTS REPRESENTED IN
THE STEEL COMMITTEE RECALL THEIR DETERMINATION TO
ABSTAIN FROM DESTRUCTIVE COMPETITION IN OFFICIAL
SUPPORT OF EXPORT CREDIT; THEY AGREE THAT THEIR

POLICIES IN THE FIELD OF EXPORT CREDIT FOR STEEL
PLANT AND EQUIPMENT WILL BE FULLY CONSISTENT WITH
THE ARRANGEMENT ON GUIDELINES FOR OFFICIALLY SUPPORTED
EXPORT CREDITS AND CONTRIBUTE TO THE AVOIDANCE OF
COMPETITIVE SUBSIDISATION OF SUCH
EXPORTS. CLOSE BRACKETS

C. THE MEMBER GOVERNMENTS, RECALLING THE GENERAL
ORIENTATIONS FOR ADJUSTMENT POLICIES ADOPTED AS PART
OF THE COMMUNIQUE OF THE JUNE 1978 MEETING OF THE
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COUNCIL AT MINISTERIAL LEVEL, AGREE THAT DOMESTIC
POLICIES TO SUSTAIN STEEL FIRMS DURING CRISIS PERIODS
SHOULD NOT SHIFT THE BURDEN OF ADJUSTMENT TO OTHER
COUNTRIES (E.G. BY ARTIFICIALLY STIMULATING EXPORTS
OR BY ARTIFICIALLY DISPLACING IMPORTS). FURTHER, AS
A GENERAL RULE, DOMESTIC MEASURES SHOULD NOT PREVENT
MARGINAL FACILITIES FROM CLOSING IN THOSE INSTANCES
WHERE THE FACILITIES CANNOT BECOME COMMERCIALY VIABLE
WITHIN A REASONABLE PERIOD OF TIME.

D. THE MEMBERS OF THE STEEL COMMITTEE AGREE TO MAKE
EVERY EFFORT TO PROVIDE EFFECTIVE PROGRAMMES FOR
STEEL WORKER READAPTATION AWAY FROM FACILITIES IMPAC-
TED BY STRUCTURAL ADJUSTMENTS INTO ALTERNATIVE EMPLOY-
MENT. TO THIS END, THE MEMBERS WILL PERIODICALLY
EXCHANGE INFORMATION ON THE EFFECTIVENESS OF POLICIES
AND PROGRAMMES TO ASSIST STEEL WORKERS AND COMMUNITIES.

E. ANY ACTIONS TO RESTRICT TRADE IN STEELMAKING
MATERIALS SHOULD BE REPORTED PROMPTLY TO THE STEEL
COMMITTEE AND BE SUBJECT TO CONSULTATION WITH
AFFECTED PARTIES.

WORK PROGRAMME

9. WITH RESPECT TO THE COMMITMENTS AGREED IN THIS
RESOLUTION, THE STEEL COMMITTEE SHOULD PROMPTLY UNDER-
TAKE AN EXAMINATION OF GOVERNMENT
POLICIES AFFECTING THE STEEL SECTOR IN THE FOLLOW-
ING AREAS:

(1) EVOLUTION OF TRADE FLOWS AND THE IMPACT
ON THEM OF GOVERNMENT MEASURES;
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(2) GUIDELINES FOR STEEL TRADE ACTIONS;
(3) ADAPTATION OF PRODUCTION STRUCTURE THROUGH
MODERNISATION, CLOSURES AND RECONVERSIONS;
(4) READAPTATION OF LABOUR;

(5) DOMESTIC POLICIES TO SUSTAIN STEEL
PRODUCTION AND STIMULATE STEEL DEMAND IN TIMES OF
CRISES;

(6) DOMESTIC PRICING AND SUPPLY;

(7) GOVERNMENT EXPORT CREDITS FOR STEEL
PLANT AND EQUIPMENT.

THE COMMITTEE WILL CONTINUE THE WORK INITIATED
IN THE AD HOC STEEL GROUP AND MAY UNDERTAKE EXAMINA-
TIONS IN OTHER AREAS AS DEEMED APPROPRIATE BY THE
COMMITTEE MEMBERS.
KATZ

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